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SUBJECT: CONGRESSMAN LANTOS PRESSURES TAIPEI ON DEFENSE
SPENDING

1. (SBU) Summary. House International Relations Committee (HIRC) Minority Ranking Member Tom Lantos (D-CA) visited Taiwan from January 15-18 to receive a human rights award from President Chen Shui-bian and to meet with high-level Taiwan officials. In meetings with President Chen, Vice President Annette Lu, Legislative Yuan (LY) Speaker Wang Jin-pyng, Congressman Lantos stressed the importance of passing the USD 18 billion Special Defense Procurement Budget and increasing overall defense spending, which Lantos pointed out had fallen to 2.5 percent of GDP. Lantos also told Taiwan officials that Members of Congress and the American public would not likely support the deployment of American military forces to assist Taiwan if Taipei refuses to do its "fair share" to protect itself in the wake of the PRC's growing defense budget. End summary.

President Chen Pledges Defense Upgrades

2. (SBU) Following a January 17 ceremony to honor the Congressman's contribution to international human rights, Rep. Tom Lantos exchanged views with President Chen Shui-bian on U.S.-Taiwan relations and Taiwan's defense modernization efforts. President Chen told Lantos that he and his administration remain very concerned about defending the peace in the Taiwan Strait. Chen added that this was Taiwan's responsibility and that Taipei is trying to improve its defenses to counter the PRC's growing threat. He told Lantos that passing the Special Defense Procurement Budget is one of the key goals of his administration. Chen maintained that opposition in the LY has blocked his efforts. However, Chen noted that with the December 11 LY election over, he is optimistic that his government and the opposition can complete work on the budget within the first half of this year. Chen expressed particular optimism over prospects for cooperation from opposition leader James Soong, whose People First Party (PFP) had repeatedly blocked action in recent months.

Vice Presidential Dinner

3. (SBU) Rep. Lantos, accompanied by Communications Director Lynne Weil and HIRC Democratic Deputy Staff Director Peter Yeo, expanded on the defense modernization theme during a January 16 dinner hosted by Vice President Annette Lu. Congressman Lantos noted that a recent article in the Economist magazine that showed Taiwan's defense spending had fallen to 2.5 percent of GDP during a period when Beijing's defense spending had continued to rise. While Lantos asserted this was not news to him, the article would undoubtedly cause concern among Members of Congress and the American people that Taipei was not doing its fair share on defense issues, which would prove to be problematic for Taiwan in the future. Lantos also told Vice President Lu and other guests that Taiwan's defense spending was jeopardizing Taiwan's national security. He added that inaction on defense preparedness was also damaging Taiwan's positive perception among the American people. The Congressman stated that as long as defense spending continued to fall, the American people would not support the deployment of American military forces to Taiwan, especially since U.S. forces were so focused on the global war on terror and Iraq.

4. (SBU) Vice President Lu acknowledged the problem and said that she and President Chen had worked hard to get the USD 18 billion Special Defense Procurement Budget passed, but their efforts have been blocked by the opposition in the LY. National Security Council (NSC) Deputy Secretary General Parris Chang, who joined the dinner, added that since the LY election is over, the opposition is likely to be more cooperative on the budget, but is likely to argue that the price of the weapons being offered by Washington is still too high. Chang also seconded Lantos' assessment of Taiwan's growing image problem, and said that Taiwan must do more on the public diplomacy front. He argued that the PRC had effectively portrayed Taiwan as the main trouble maker on the cross-Strait issue. Chang added that Taiwan wanted to do more to counter Beijing and planned to embark on a new campaign in the U.S. and elsewhere to counter Taipei's sagging reputation abroad.

15. (SBU) In a separate January 17 meeting with KMT LY Speaker Wang Jin-pyng, Rep. Lantos warned against playing partisan politics with Taiwan's defense requirements. He said Congress and the American people will not be happy about Taiwan's falling defense spending from 5 percent to 2.5 percent of GDP in recent years. Lantos further added that this fact points to a dangerous situation for Taiwan and he directly asked Wang why political disputes in the LY are preventing Taiwan from devoting an adequate amount to defense spending. Lantos emphasized to Wang that many Americans believe the nation's hands are full with the global war on terror, Iraq, and Afghanistan so other countries in the region must do their fair share with defense spending. He told Wang that the American people are not going to support Taiwan if the LY does not rectify this situation soon and work together to significantly increase Taiwan defense expenditures.

16. (SBU) Wang responded that Taiwan is committed to its national defense, and asserted that Taiwan will work hard to show other nations that Taipei has a strong will to defend itself. However, he lamented that Taiwan is facing many other budgetary pressures such as education and social welfare spending. Wang added that Taiwan's defense spending as a percentage of GDP is one of the highest in the region. He also stated that the defense budget is actually higher than 2.5 percent of GDP because of special budgets and other defense related programs funded from off-budget accounts. Wang said that the opposition is in favor of the Special Budget, but only if the systems are offered at a fair price by the U.S. Congressman Lantos countered that the weapons offered by the U.S. are the best in the world and that the price will be the same as offered to any other country.

17. (SBU) Wang noted that, in addition to military threats, Beijing is attempting to isolate Taiwan in the international trade arena. Wang asserted that Taiwan desperately needs a bilateral Free Trade Agreement (FTA) with Washington to protect itself from economic marginalization. Lantos responded that passage of the Special Budget would give Congress a more favorable view of Taiwan with other issues, including a future FTA.

18. (U) Congressman Lantos has approved this message.
PAAL